Deduction of Income-tax of the AI and Pilots

22. SHRI MOHINDER SINGH LATHER :

SHRI SATYA PRAKASH MALAVIYA :

Will the Minister of CIVIL AVIATION AND TOURISM be pleased to state :

(a) whether Government's attention has been drawn to the news report which appeared in the Indian Express dated 25th August, 1993 regarding the loss suffered by the exchequer due to wrong deduction of income-tax of the Air India and Indian Airlines Pilots by the management ;

(b) if so, what is the factual position in this regard ; and

(c) in what manner Government propose to rectify the procedural deficiencies identified in the deduction of Income-tax at source ?

THE MINISTER OF CIVIL AVIATION AND TOURISM (SHRI GHULAM NABI AZAD) : (a) Yes, Sir.

(b) and (c) A statement is attached.

Statement

Deduction of Income Tax of the Air India and Indian Airlines Pilots

Air India

With effect from 1-4-89, the Income Tax Act was amended whereby no allowance, even if granted, wholly or necessarily for the purpose of performance of duty is exempted from tax unless it is so notified by the Central Government. Air India approached the Central Board of Direct Taxes (CBDT) in March, 1990 to exempt payment of tax on various allowances that were being paid to pilots and were treated as non-taxable upto the date the Income Tax Act was amended. In response the CBDT notified all the allowances as exempt except the following :

(i) Indrtial Navigation System Allowance ;

(ii) Flight Management System Allowance (FMS) ;

(iii) Simulator (Lecture) Allowance.

Air India appealed to the CBDT in April, 1990 to reconsider the matter. Expecting a favourable reply from CBDT. Air India had kept the tax deduction in abeyance and no tax was deducted at source while making payment of the above three allowances.

CBDT has clarified vide Circular No. 133/158/93-TPL dated 20-10-93 that all allowances except the following are to be considered for deduction of tax at source :

(a) Any allowance granted to an employee to meet the cost of travel on tour or on transfer ;

(b) Any allowance whether on tour or for period of journey in connection with transfer granted to meet the ordinary daily charges incurred by the employee on account of his absence from normal place of duty.

(c) Any allowance granted to meet the expenditure incurred on conveyance in the performance of duties.

(d) Any allowance granted to meet the expenditure incurred in the purchase or maintenance of uniform for wear in the performance of duties.

Air India has since commenced deduction of tax at source from allowances paid to pilots with effect from October, 1993. In respect of payment of tax and its recovery from pilots for the past year, the matter is being resolved by Air India through discussion with the concerned tax authorities.

Indian Airlines

Communication has been received from Income Tax authorities, informing that the various flying allowances like Meal Allowance, etc, given to the pilots are subject to tax as these have not been specifically notified for exemption from payment of tax

in accordance with income tax amendment order with effect from 1-4-1989. Indian Airlines has stated that the exemption from payment of tax on these allowances had been given by Central Board of Director Taxes (CBDT) vide its various circulars issued during 1974 to 1977. The matter has been taken up by Indian Airlines with the tax authorities for issue of suitable clarification.

Damage by Air India's man in Germany

23. SHRI S. S. AHLUWALIA : Will the Minister of CIVIL AVIATION AND TOURISM be pleased to state :

(a) whether Government's attention have been drawn to the news report which appeared in the Economic Times of the 15th November, 1993, under the caption "Air India's man in Germany does the damage";

(b) if so, what are the details in this regard and what is Government's reaction thereto ;

(c) whether any disciplinary action has been initiated against the outgoing Manager of Air India's German operation for his reported acts of indiscipline that caused damage to the reputation of the national airline ; if not, the reasons thereof ; and

(d) the details of the measures taken to prevent recurrence of such incidents in other places ?

THE MINISTER OF CIVIL AVIATION AND TOURISM (SHRI GHULAM NABI AZAD) : (a) Yes, Sir.

(b) On 20-5-1993, Air India issued an order transferring its Manager at Frankfurt to Muscat in Oman. He took recourse to various dilatory tactics and eventually handed over charge to his successor on 10-11-93.

(c) and (d) A Show Cause Notice has been served on the officer asking for his explanation, receipt of which is awaited. This misdeamnour on the part of the officer was an unusual case. Air India management would deal with such cases firmly in accordance with service regulations.

Merger of International Airports Authority and National Airports Authority

24. SHRI S. S. AHLUWALIA : Will the Minister of CIVIL AVIATION AND TOURISM be pleased to state :

(a) whether it is a fact that Government have decided to merge the International Airports Authority and the National Airports Authority in the near future and a Bill to this effect has been introduced in the Parliament ;

(b) if so, what are the details thereof ;

(c) whether it is also a fact that International Airports Authority is earning profits whereas National Airports Authority is incurring losses since its inception which causes apprehensions that the earnings of International Airports Authority will be consumed by the National Airports Authority which will be detrimental to the progress of airports in the Country ;

(d) if so, what are the details thereof ;

(e) whether Government propose to drop the idea of merging these two Authorities ; and

(f) if not, the reasons therefor ?

THE MINISTER OF CIVIL AVIATION AND TOURISM (SHRI GHULAM NABI AZAD) : (a) and (b) A Bill has been introduced in the Parliament on 23-8-1993 for merger of International Airport Authority of India (IAAI) and National Airports Authority (NAA).

(c) to (f) International Airports Authority of India has been consistently making profits. The details of profits/loss of NAA since its inception are as under :—

Year	Profit/Loss (+) (—) (Rs. in crores)
1986-87	(—) 13.86
1987-88	(—) 16.51
1988-89	(—) 16.13
1989-90	(—) 2.96
1990-91	(—) 23.19
1991-92 (Provisional)	(+) 17.72
1992-93 (Provisional)	(+) 11.76
1993-94 (Budget Estima	(+) 17.33